

Reviews of Kiribati, the Marshall Islands, and Nauru are not included in this issue.

FEDERATED STATES OF MICRONESIA

The latter part of 2006 brought an air of political excitement and anticipation. The people were excited about the biannual national election scheduled for March 2007; they had anticipated that the election for the at-large seats in the four states would be hard fought because some of the likely candidates had expressed interest in seeking the presidency.

The inauguration ceremony for the new national administration took place on 16 July 2007. This was a public celebration of the peaceful transition of political power from the administration of Joseph Ursemal to that of Emmanuel “Manny” Mori. The actual transition from the previous administration to the current one took place in May 2007. It occurred on the same day that the 15th Congress of the Federated States of Micronesia (FSM) met to organize itself and elect the new president and vice president. The election of the president and vice president take place after the national election when the district members (with two-year terms) and the at-large members (with four-year terms) are elected, that is, every four years.

Following the national election in March 2007, the FSM Congress met

in its first regular session on 11 May. Although then incumbent President Joseph Ursemal of Yap easily won reelection to the national congress, he failed in his bid to retain the presidency. Instead, the congress elected at-large senator Manny Mori from Chuuk. The new president is an FSM Congress veteran of four years. He was first elected in the 2003 special election to fill Chuuk’s at-large seat, which Redley Killion had vacated when he became vice president. Four years later, during the March 2007 election, Mori easily defeated incumbent Vice President Killion for the same seat.

Ursemal’s failed presidential attempt was the culmination of a deteriorating relationship between his administration and the FSM Congress caused by two lawsuits: the president’s suit against congress to have a public law declared unconstitutional, and the congress’s suit against the president to declare several of his vetoes unconstitutional. In addition, the congress felt that the president had completely ignored its recommendation regarding the passport scandal at the embassy in Washington DC (FSM Government 2006), and the unauthorized borrowing of funds by the FSM ambassador to the United States to help defray the cost of running the embassy (Haglelgam 2007). Investigations of the unauthorized borrowing and the passport scandal resulted in criminal charges being filed against the ambassador and his driver, a citizen of the Philippines.

The results of the March election were not as close as political analysts in the Federated States had predicted. The contest for the at-large seats in Chuuk, between then Vice President Redley Killion and Senator Manny Mori, and in Pohnpei, between Speaker Peter Christian and Senator Resio Moses, were billed as precursors for the FSM presidential election. President Ursemal ran unopposed for his former at-large seat in the congress. Ramon Peyal, who had won that seat during the special election in 2003, voluntarily stepped aside as previously agreed to allow the president to overcome the first hurdle in his reelection bid. This was interpreted as a sign of the Yap leadership's continuing support for the president.

Two proposed amendments to the FSM national constitution—one regarding dual citizenship, and the other extending full faith and credit to public acts, records, and judicial proceedings across state lines—were submitted for ratification by the voters during the election. Both amendments failed to obtain two-third of the votes in at least three states as required by the national constitution. This was the third time in four years that the voters had rejected the dual citizenship amendment.

The results of the March election were as follows: For Chuuk State, Manny Mori won the at-large seat with a total of 12,932 votes, with the five district seats being taken up by Peter Sitan (1,864 votes); Roosevelt D Kansou (2,099 votes); Joe N Suka (1,964 votes); Tiwiter H Aritos (3,870 votes); and Moses A Nelson (1,058 votes). Both the dual citizenship and full faith and credit amend-

ments received affirmative votes of 60 percent.

For Kosrae State, Alik L Alik won the at-large seat with a total of 2,569 votes, while Paliknoa Welley obtained the district seat with 1,588 votes. The dual citizenship and full faith and credit amendments received affirmative votes of 76 percent and 78 percent, respectively.

For Pohnpei State, Resio S Moses won the at-large seat with a total of 6,392 votes, with the three district seats being filled by Dohsis Halbert (3,005 votes); Dion G Neth (3,150 votes); and Fredrico Primo (1,992 votes). The dual citizenship and full faith and credit amendments received affirmative votes of 66 percent and 70 percent, respectively.

For Yap State, Joseph J Urusemal won the at-large seat with a total of 2,844 votes, while Isaac V Figir took the district seat with 2,337 votes. The dual citizenship and full faith and credit amendments received affirmative votes of 69 percent and 74 percent, respectively.

US Department of Interior Secretary Dirk Kempthorne visited the Federated States in June. He met with President Mori and Vice President Alik. While in Pohnpei, Kempthorne gave a talk on new compact funding, focusing on the education and health sectors. According to local press, President Mori and Secretary Kempthorne discussed several compact-related issues, including the environment, education, and health. Kempthorne also discussed the imminent relocation of US Marines to Guam, and the benefits this expansion will bring to Guam's neighbors. The secretary told the president that "the FSM is an important part of the

[Department of Interior] portfolio, and for me to be as effective as possible, I needed to come meet you in your own turf” (FSM Government 2007). President Mori informed the secretary of his administration’s proposal to reorganize the executive branch of the FSM national government to introduce management efficiency and cost saving measures (*Da Rohng* 2007; Kaselehlle Press 2007a).

On this trip, Secretary Kempthorne’s contingent included David Cohen, Deputy Assistant Secretary of Interior for Insular Affairs; Donald Schregardus, Deputy Assistant Secretary of Navy for the Environment; B J Penn, Deputy Assistant Secretary of the Navy for Installations and Environment; and Rear Admiral William French, Commander of US Naval Forces Marianas, as well as other staff members from the departments of Interior and Defense.

Although the secretary’s visit to the Freely Associated States was reminiscent of Trust Territory days, it symbolized the compact’s built-in contradiction regarding the way in which formal relations between the United States and the former Trust Territory entities are conducted. According to the terms of the compact, the United States conducts its formal diplomatic relations with the Freely Associated States through the Department of State, but it designates the Department of the Interior as the custodian of all compact funds.

Another important visitor to the Federated States during this reporting period was Senator J Kalani English of the Hawai‘i State Legislature. Senator English is the chairman of the Senate’s Committee on Transportation and

International Affairs. He came to attend the inauguration of President Mori, but took the opportunity to discuss the findings of a recent study indicating that Micronesians are the largest homeless ethnic group in Hawai‘i.

In addition, Senator English asked President Mori to assist in finding the actual number of FSM citizens residing in Hawai‘i. State officials have estimated that 15,000 Micronesians currently reside in Hawai‘i, but it is difficult to calculate the exact figure because in the US Census, FSM citizens are lumped with people from other islands under the general category of Pacific Islanders. In an interview with a local newspaper, Senator English indicated that Hawai‘i is currently working with the Micronesian community to expand its program to assist Micronesians *before* they end up in homeless shelters (*Kaselehlle Press* 2007c).

In June, the presence of a dengue-like virus in Yap State was confirmed by the Centers for Disease Control in Atlanta, Georgia. The virus, referred to as Zika, was first identified in rhesus monkey serum in Uganda in 1947. The symptoms are similar to those of dengue fever but milder and generally last from two to four days. The symptoms include skin rash that usually starts on the face and spreads to other parts of the body, pink eye, and pain in the smaller joints of the hands and feet. Zika is carried and spread by *Aedes* mosquitoes.

Zika is commonly found in Africa but cases have recently surfaced in Malaysia. The outbreak was first reported in April and peaked in late May. Over seventy people were

affected in Yap and treated as outpatients at the hospital. Since the symptoms for the disease are mild, state health officials believe that more people are likely to have been affected, but have not sought medical attention. However, new cases are being reported from all over the islands. Officials of Yap State, the Federated States, the US Centers for Disease Control, and the World Health Organization are continuing their investigation to determine the best measures to control the outbreak. In the meantime, the residents of Yap Islands Proper were advised to wear long pants and long-sleeved shirts, use mosquito repellents, and reduce outdoor activities (*PDN*, 28 June 2007). To comply with these measures, the Yapese will have to relinquish their favorite traditional attire of loincloths and grass skirts.

On the economic front during the reporting period, Kosrae State joined Chuuk on the bankruptcy list. The administration of Governor Robert Weilbacher had inherited a \$2 million deficit from the previous administration. On assuming office, Weilbacher convened a statewide leadership conference to find a solution to eliminate the state deficit. The conference came up with several proposals, including cutting about ninety-eight jobs from the government payroll, auctioning off some government-owned vehicles, and increasing sales and “sin” taxes to bring in more revenue. As a short-term solution, the FSM national congress provided over \$1 million to the financially troubled state to meet current financial obligations. New agencies were created to implement and monitor the progress of the proposed solutions. Kosrae officials hope that

the deficit will be erased during the next budgetary cycle. The Weilbacher administration and Kosrae leadership are putting in place politically unpopular measures to ease their state out of the financial quagmire. Despite the unpopularity of the measures, it is evident that the Kosrae leadership is at least attempting to honor their obligations to their constituents.

Unfortunately, the same cannot be said of Chuuk State leaders. For Chuuk, the deficit reached \$41 million in 2007, with no solution in sight. Chuuk’s deficit originated a couple of years prior to the Federated States’ attainment of self-government in 1979, when the Truk District government (the name Truk was changed to Chuuk in 1980) granted its employees a cost-of-living allowance, which the Trust Territory government refused to pay. Throughout the fifteen years of Compact I, the deficit was steadily accumulating on a yearly basis. All the FSM administrations (from Nakayama’s to the current one) have, in one way or another, tried to assist Chuuk in eliminating its financial problem. Chuukese leaders seem to think they can find assistance from outside of the country. In the first part of 2007, two resolutions were introduced in the Chuuk State Legislature asking President Fidel Castro of Cuba and the president of the People’s Republic of China to provide financial assistance.

The political reaction in Pohnpei to the Kosrae bankruptcy report was to renew the call for separation from the Federated States. Some Pohnpeian leaders felt that continued affiliation with a country in which 50 percent of the constituent states are bankrupt

would, in the long run, negatively affect their state.

In spite of the reported deaths of two more young Micronesian men enlisted with the US forces in Iraq, Micronesian men and women continue to volunteer for service in the US Armed Forces. At the end of June 2007, twenty-one Micronesian men took the oath of enlistment on board the US Coast Guard Cutter *Sequoia*, which was moored alongside the dock at Kolonia Harbor in Pohnpei. Over the next three months the young men received basic training at Fort Benning in Georgia, Fort Jackson in South Carolina, Fort Knox in Kentucky, and Fort Leonard Wood in Missouri. According to the US Embassy in Kolonia, the recruits were to attend specialized training in aviation, infantry, logistics, maintenance, security, and vehicle operation.

For Micronesian recruits, the US military has provided the adventure of a lifetime to see the world, as well as employment opportunities that they would not otherwise have access to in the Federated States. Micronesian parents are finding out that when their sons or daughters die while serving in the US Armed Forces, they receive a large, lump-sum payment as life insurance. In addition, the US government has required that federal programs such as Farmers Home give priority to loan applications they receive from Micronesian veterans of the US Armed Forces. Such policies may prompt parents to encourage their sons and daughters to volunteer for military service.

Economic development prospects for the Federated States remain limited, according to the US General

Accounting Office report to congressional committees (GAO 2006). The political and social environments continue to present significant challenges for effective implementation of Compact II grants in education and health. For instance, the states and national government have not agreed on the implementation of compact infrastructure grants.

On the social front, the Federated States continues to face almost insurmountable challenges in health service and education. If the low passing rate in the entrance exam for the College of Micronesia-FSM is any indicator, then there has been very little improvement in some of the public high schools. Of the almost four hundred seniors who graduated from Chuuk High School in 2006, only one student passed the college entrance exam. For Weno High School (also in Chuuk), none of the seniors passed the exam. Over the last three years, less than 30 percent of Yap High School graduating seniors passed the entrance exam. For the public high schools in Pohnpei State, the passing rate is between 60 and 80 percent of the graduating seniors. For private FSM high schools, between 80 and 95 percent of the seniors passed the test.

In terms of health care, most of the hospitals in the FSM have been renovated but still lack the necessary equipment and expert personnel to deal with complex medical cases. The more serious medical cases are referred to off-island hospitals by FSM MiCare Health Insurance, or by the state medical referral programs. FSM MiCare refers most of its clients to hospitals in the Philippines.

In general, despite the singling out

of health service delivery as a focus of Compact II funds, there has been no discernable improvement in this area. There seems to be no plan for purchasing new equipment for the hospitals or upgrading the skills of health services personnel.

On the economic development front, future prospects for the Federated States have not improved. External assistance still accounts for 60 percent of gross domestic product (GDP) and the FSM economy is still as dependent on public sector expenditure as ever. State and national government budgets are still dominated by increasing wages and salaries, which will exacerbate the fiscal impact of the decline in compact funding scheduled to start in 2007 (*Kaselehlie Press* 2007b).

In the long term, the sustainable growth of the FSM economy will more likely begin in the private sector. However, the two private-sector industries of fisheries and tourism (identified by the 2004 Economic Summit as having the greatest potential for growth) face the constraints of remote geographical location, lack of infrastructure development, and poor business environment. Even progress on key policy reform has been slow. Although the FSM national government has enacted the necessary bankruptcy and mortgage laws, these measures are not sufficient to attract private investors and increase the revenue base. To stimulate investment in the private sector and increase local revenue, the national government must enact tax reform measures and simplify foreign investment regulations. The states must develop workable land tenure laws to assure foreign investors of a

reasonable chance of recouping their investments. In addition, public-sector reform must be instituted at all levels.

In spite of advice from the Asian Development Bank, the International Monetary Fund, and other economists regarding the importance of carrying out necessary reforms, nothing of substance has been achieved. The price paid by the Federated States for complacency in the face of these issues is the very slow growth of the national economy. The FSM real GDP growth rate for the 2005 fiscal year was 1.5 percent, but in 2006 it dropped to -0.7 percent. Chuuk's real GDP growth rate in the 2005 fiscal year was 1.0 percent; in 2006 it fell to 0.6 percent. For Kosrae, the real GDP growth rate was -4.3 percent in 2005; in 2006 it remained in the negative column at -2.8 percent. For Pohnpei, the real GDP growth rate for the 2005 fiscal year was -0.9 percent, which rose to 1.5 percent in 2006. Yap had the biggest decline in its real GDP growth rate: in the 2005 fiscal year, it was 10.7 percent, but it dropped to -5.2 percent in 2006. The sudden slump in Yap's GDP growth rate was probably caused by the closure of the island's garment factory in 2005 (FSM Department of Economic Affairs 2007).

The obvious conclusion from these statistics is that, economically, the Federated States is living on borrowed time. Economic assistance from the United States and other countries may be able to support higher living standards, but FSM national and state governments must adopt the necessary public sector reforms, enact reasonable land tenure laws, and reform the tax system in order to attract investment in the private sector of the

economy. Unless these reforms are adopted, the Federated States and its constituent states will live perpetually on the brink of bankruptcy. Perhaps the economic conditions in Chuuk and Kosrae provide a glimpse of the nation's economic future.

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GUAM

Discussion of the 2006 elections, the island's economy, and various military issues dominated Guam's media during the year in review. However, perhaps the most telling event affecting the island's state of affairs, political and otherwise, was the granting of limited voting privileges to Guam's delegate to the US House of Representatives.

Democrats secured a US congressional majority in 2006, reinstating the short-lived insular area delegates' ability to vote in the House of Representatives (which had been lost in 1995 when Republicans became House majority). These "partial" voting rights were narrowly passed and are only allowed when territory delegates do not determine House vote outcomes. In fact, if their votes do make the difference, the House revotes without the insular area delegates. Many would disagree with Guam Congresswoman Madeleine Z Bordallo's assessment that this partial vote demonstrates that the people of Guam are "members of the American family" (*PDN*, 26 Jan 2007; *MV*, 12 Feb 2007). Some find it ironic that while the US military (including many Guam